

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Report of the Chief Investment Officer

ITEM NUMBER: 7

ATTACHMENT(S): 5

ACTION: _____

DATE OF MEETING: January 9, 2001

INFORMATION: X

PRESENTER(S): Christopher J. Ailman

The following is a brief summary of the developments that have occurred in the financial markets between occurred between October 31 to December 20, 2000. This is intended to provide a short overview of the activity that has occurred between the date of the attached report and the mailing date of the packet. The CIO will provide a further verbal update at the meeting. Obviously this has been a very difficult period for the U.S. and global equity markets.

1. Interest rates:

The Federal Funds rate held steady trading around 6.50%.

The yield on the 10-year U.S. Treasury Note has declined from 5.75% to 5.034%.

The yield on the 30-year U.S. Treasury Bond declined from 5.79% to 5.40%.

2. U.S. Equity market:

The S&P 500 Index has decreased from 1429.40 to 1264.74. The Russell 3000 has dropped from 788.02 to 691.41.

3. Non-U.S. Equity market:

The MSCI All Country World free index ex. U.S. (ACWI free ex. U.S.) has declined 198.37 to 192.77 as of December 19, 2000. .

4. Currencies:

The U.S. dollar has begun to weaken versus the Euro (.85 to .91) and has strengthened vs. the Yen (1.09 to 1.12) and was slightly weaker compared the pound sterling (1.45 to 1.475).

5. Commodities:

Crude oil prices have been very volatile as a cold winter looms. Prices have started to decline, dropping from \$32.68 a barrel to \$25.43 over the period.

Investment Summary - Market Value (amounts in millions)												
Asset	This Month		One Year Ago		Three Years Ago		Five Years Ago					
Domestic Equity	\$	39,667	37.4%	\$	45,461	43.7%	\$	30,530	39.0%	\$	19,143	31.8%
International Equity		24,505	23.1%		27,376	26.3%		15,194	19.4%		7,283	12.1%
Fixed Income		28,676	27.0%		24,592	23.6%		25,805	33.0%		24,828	41.2%
Global Asset Allocators		N/A	N/A		N/A	N/A		2,296	2.9%		2,206	3.7%
Private Equity		11,417	10.8%		5,457	5.2%		3,539	4.5%		2,308	3.8%
Liquidity		1,874	1.8%		1,228	1.2%		880	1.1%		4,464	7.4%
Total Market Value	\$	106,139	100.0%	\$	104,114	100.0%	\$	78,244	100.0%	\$	60,232	100.0%

Performance Returns for Major Asset Categories						
Asset	Month	Fiscal YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity	-8.93	-10.19	-2.97	11.51	16.81	17.19
Int'l Equity	-3.51	-14.28	-9.47	9.07	8.15	N/A
Fixed Income	2.08	6.01	9.91	6.08	6.52	8.93
Real Estate	N/A	N/A	11.13	17.20	14.53	6.43
Alternative Investments	N/A	N/A	51.20	37.14	36.24	23.45
Liquidity	0.54	2.87	6.79	6.27	6.08	5.74
Total Fund	-3.85	-5.94	1.19	10.60	11.60	12.15
Indicies						
Domestic Equity Custom *	-9.29	-10.08	-3.43	11.60	17.41	17.52
MSCI AC ex US *	-4.50	-15.51	-10.53	7.37	6.73	8.09
Salomon LPF	2.04	6.13	10.19	5.93	6.48	8.91
Real Estate Custom	N/A	N/A	11.23	13.16	11.58	6.07
T-Bill	0.51	2.54	5.86	5.21	5.23	4.87
Consumer Price Index	0.06	0.98	3.44	2.54	2.54	2.67
Wilshire 5000	-9.99	-11.69	-5.78	10.80	16.65	17.14
Russell 3000 *	-9.29	-10.08	-3.43	11.60	17.32	17.52
MSCI EAFE *	-3.76	-13.64	-9.71	8.39	7.22	8.04
LB Gov / Corp	1.71	5.29	9.01	5.88	6.13	7.95

Allocations of Cash and Reallocations of Assets (does not include changes in the market value)		
	Current Month	Past 12 Months
Cash Inflow:		
Contributions & misc receipts	\$ 321.7	\$ 4,228.3
Less: Benefits & misc. payments	\$ (314.7)	\$ (3,894.0)
Investment Income	\$ 269.2	\$ 2,954.7
Total Cash Inflow	\$ 276.3	\$ 3,289.0
Cash Allocation:		
Domestic Equity	\$ 29.3	\$ (2,366.3)
International Equity	\$ (6.5)	\$ (289.7)
Fixed Income	\$ 14.8	\$ 3,252.6
Private Equity	\$ 100.0	\$ 2,128.9
Liquidity	\$ 138.7	\$ 563.5
Total Cash Allocation	\$ 276.3	\$ 3,289.0

* Indicies reflect ex Tobacco returns beginning 9/1/2000

Asset Allocation Percentage				
Assets	Actual	Target	Difference	Range
Public Equity	60.7%	63.0%	(2.3%)	57 - 69
Public Fixed Income	28.8%	27.0%	1.8%	23 - 32
Private Equity	10.5%	10.0%	0.5%	8 - 12
Total Investment Assets	100.0%	100.0%		
Which can be compared to the strategic targets				
Active - Domestic Equity	8.1%	7.6%	0.5%	6 - 9
Passive - Domestic Equity	30.9%	30.4%	0.5%	29 - 41
Allocated Not Funded	-1.3%	0.0%	(1.3%)	
TOTAL DOMESTIC EQUITY	37.6%	38.0%	(0.4%)	35 - 41
Active - International Equity	10.7%	12.5%	(1.8%)	11 - 14
Passive -International Equity	12.3%	12.5%	(0.2%)	11 - 14
TOTAL NON-US EQUITY	23.1%	25.0%	(1.9%)	22 - 28
TOTAL PUBLIC EQUITY	60.7%	63.0%	(2.3%)	57 - 69
<i>Real Estate</i>	4.1%	5.0%	(0.9%)	
<i>Alternative Investments</i>	5.1%	5.0%	0.1%	
Allocated Not Funded	1.3%	0.0%	1.3%	
TOTAL PRIVATE EQUITY	10.5%	10.0%	0.5%	8 - 12
Domestic Fixed Income	27.0%	26.0%	1.0%	23 - 29
Liquidity	1.8%	1.0%	0.8%	0 - 3
TOTAL FIXED & LIQUIDITY	28.8%	27.0%	1.8%	23 - 32
TOTAL INVESTMENT ASSETS	100.0%	100.0%		

California State Teachers' Retirement System

Off Balance Sheet Transactions

For the period ended November 30, 2000

Attachment I

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Currency Hedging - Market Value (amounts in millions)					
Managers	Pacific Basin		European		Total
Active International	\$3,422.56	3.7%	\$ 7,029.74	0.0%	\$10,452.30 1.2%
Passive International	\$3,588.30	26.7%	\$ 8,013.90	0.0%	\$11,602.20 8.3%
<i>* Does not include emerging market securities, Canadian stocks, cash or accruals.</i>					

Currency Realized Gains/(Losses) (amounts in millions)			
Managers	Currency Realized Gains/(Losses)		
	1 Month	1 Year	Since Inception
Active International	\$0.56	(\$0.90)	\$75.67
Passive International	\$4.95	\$45.70	\$448.47

Securities Lending Income			
Asset	Current Fiscal Year 7/00-11/00	vs.	Prior Fiscal Year 7/99-11/99
Domestic Equity	\$4,560,161		\$4,546,546
International Equity	\$9,670,970		\$10,384,876
US Treasury	\$6,068,466		\$5,430,546
Other Fixed Income Securities	\$198,141		\$254,402
Total Income	<u>\$20,497,738</u>		<u>\$20,616,370</u>

Securities Lending (On-Loan/Collateral Summary)			
Asset	Securities On-Loan	Collateral Valuation	Percent
Domestic Equity	\$2,459,214,019	\$2,570,543,187	105%
International Equity	\$4,562,236,965	\$4,799,660,277	105%
US Treasury	\$8,811,727,857	\$8,989,523,142	102%
Other Fixed Income Securities	\$354,967,632	\$363,218,135	102%
Total Value	<u>\$16,188,146,473</u>	<u>\$16,722,944,741</u>	103%

California State Teachers' Retirement System

Attachment 2

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Monthly Investment Summary

	Market Value		Market Value		Market Value	
	10/31/2000	Market %	11/30/2000	Market %	Difference	% Diff.
Liquidity						
Cash Allocation	1,587,980,209		1,740,645,612		152,665,403	
US Cash Equitization	143,022,708		132,013,842		(11,008,866)	
Total Liquidity	1,731,002,917	1.57%	1,872,659,454	1.76%	141,656,537	0.20%
Domestic Equity						
Active						
Ariel Capital	397,412,380		404,321,783		6,909,403	
BGI - Enhanced	727,659,793		671,074,794		(56,584,999)	
Brinson Partners	564,509,343		558,595,244		(5,914,100)	
Brown Capital Management	487,786,754		436,008,837		(51,777,917)	
Chicago Equity Partners	571,566,844		518,596,931		(52,969,913)	
Delaware Investment Adv	455,903,135		444,743,182		(11,159,954)	
Delphi Management, Inc	193,425,747		185,951,863		(7,473,884)	
Denver Investment Advisors	749,761,798		624,333,276		(125,428,522)	
DSI International Management	810,517,115		746,741,646		(63,775,469)	
First Quadrant	534,655,181		485,842,405		(48,812,777)	
Mellon Capital Management	662,527,087		612,437,585		(50,089,501)	
NCM Capital Management	700,338,686		597,453,498		(102,885,188)	
Putnam Investments	603,177,085		486,293,245		(116,883,840)	
Sasco Capital	660,302,213		660,919,760		617,547	
SSgA - Enhanced	802,017,817		740,728,549		(61,289,268)	
TCW Asset Manangement Co	605,254,462		411,018,591		(194,235,871)	
Passive						
BGI Extended Market Index	5,055,854,410		2,499,845,325		(2,556,009,085)	
BGI S&P 500 Index	15,886,708,284		14,667,743,026		(1,218,965,258)	
SSgA - Extended Mkt Index	1		1,665,491,039		1,665,491,038	
STRS S&P 500 Index	15,070,143,873		13,914,701,998		(1,155,441,874)	
Transition						
STRS Domestic	1		1		0	
Total Domestic Equity	45,539,522,009	41.18%	41,332,842,579	38.94%	(4,206,679,430)	(2.24%)
International Equity						
Active						
Bank of Ireland Asset Management	996,812,028		971,566,559		(25,245,469)	
Battery March Financial Mgmt Inc.	471,193,174		455,844,568		(15,348,606)	
Blackrock, Inc.	309,271,354		309,828,567		557,213	
Brinson Partners Non-USEQ	480,866,941		476,500,190		(4,366,751)	
Capital Guardian Trust	1,471,522,234		1,413,689,008		(57,833,225)	
Delaware Int'l Advisors Inc.	461,992,827		466,369,783		4,376,957	
Fidelity Management Co.	532,839,853		521,084,919		(11,754,934)	
Fiduciary Trust	735,667,111		680,662,160		(55,004,950)	
Goldman Sachs Asset Mgmt	447,810,797		428,253,535		(19,557,262)	
Lazard Freres	915,997,939		891,427,227		(24,570,711)	
Marvin & Palmer Assoc, Inc.	521,246,040		513,687,545		(7,558,495)	
Morgan Stanley	855,307,615		837,663,261		(17,644,354)	

Monthly Investment Summary

	Market Value		Market Value		Market Value	
	10/31/2000	Market %	11/30/2000	Market %	Difference	% Diff.
Newport Pacific Mgmt	312,420,711		298,036,041		(14,384,670)	
Nicholas-Applegate Capital Mgmt	569,143,009		547,116,541		(22,026,468)	
Oechsle International	1,173,841,882		1,136,013,116		(37,828,766)	
Paribas Asset Mgmt, Inc.	1		1		0	
Schroder Capital	637,808,861		624,535,174		(13,273,688)	
Scudder Kemper Investments	864,010,044		829,417,461		(34,592,582)	
Passive						
BGI - Europe	8,412,947,827		8,100,479,034		(312,468,793)	
BGI - Pacific	3,750,414,190		3,621,144,117		(129,270,073)	
SSgA - Emerging Market Index	1,485,410,002		1,381,919,635		(103,490,367)	
Transition						
STRS International	180,731		81,718		(99,014)	
Total International Equity	25,406,705,169	22.98%	24,505,320,161	23.09%	(901,385,009)	0.11%
Fixed Income						
Corporate Bond Index	8,418,821,053		8,489,616,453		70,795,400	
Mortgage Backed Security Index	8,614,803,169		8,697,126,144		82,322,975	
Mortgage Loan	600,482,732		618,498,422		18,015,690	
US Treasury & Agency Index	10,644,279,164		10,870,700,428		226,421,264	
Total Fixed Income	28,278,386,117	25.57%	28,675,941,447	27.02%	397,555,329	1.44%
Real Estate						
CB Richard Ellis	1,557,012,751		1,558,288,626		1,275,875	
Clarion Partners, LLC	155,731,702		155,629,938		(101,763)	
Heitman Capital Management	280,792,133		282,724,174		1,932,041	
Lend Lease	1,045,361,481		1,046,563,103		1,201,622	
Lowe Enterprises Inv Mgmt	139,637,734		139,630,877		(6,857)	
MIG Realty Advisors	288,367,192		289,873,484		1,506,291	
Sentinel Realty Advisors	17,661,736		17,664,609		2,872	
Special Situations	352,654,608		352,637,875		(16,733)	
SSR Realty Advisors	462,476,395		492,487,883		30,011,487	
Thomas Properties Group	39,645,431		41,207,901		1,562,470	
Total Real Estate	4,339,341,163	3.92%	4,376,708,470	4.12%	37,367,306	0.20%
Alternative Investments						
Distributed Stock	1		85,145,018		85,145,017	
Limited Partnerships	5,286,380,960		5,290,117,492		3,736,531	
Total Alternative Investments	5,286,380,961	4.78%	5,375,262,509	5.06%	88,881,548	0.28%
Grand Total	<u>110,581,338,338</u>	100.00%	<u>106,138,734,619</u>	100.00%	<u>(4,442,603,718)</u>	

PLEASE NOTE:

All Figures Include Accruals

The Information contained in this report is UNAUDITED

Member Home Loan Securitization Principal Balance as of 11/30/2000 is \$114,619,506

The Internally Managed Cash Collateral Portfolio is NOT included above.

The Net Asset Value as of 11/30/2000 is \$2,520,644,674

Note: Attachments 4 and 5 are not available in electronic format at this time.